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TAGS: [PREL](#) [AMGT](#) [AORC](#) [UN](#)
SUBJECT: G7 FOLLOW-UP MEETING ON UN REGULAR BUDGET SCALES
OF ASSESSMENT

REF: A. USUN 518
[1](#)B. USUN 562

SUMMARY: 1. On 22 June 2009, the Italian Mission hosted a meeting of the Fifth Committee delegates of the G7 countries (Canada, France, Germany, Italy, Japan, the UK, and the US) regarding proposals for changing the application of the low per capita income adjustments (LPCIA) to the UN scales of assessment. The attendees were: Chris Plunkett for Canada, Gregory Cazelet for France, Peter Silberberg and Ralf Hoernschemeyer for Germany, Stefania Rossini for Italy, Masatoshi Sugaira for Japan, Wasim Mir for the United Kingdom, and Bruce Rashkow, Eileen Merritt, and Eugene Chen for the United States. This was the third meeting of the G7 following up on the G7 initiative to forge a common position on the scales of assessment launched on the margins of the April Geneva Group meeting (USUN 518, USUN 562).END SUMMARY

Inclusion of Sweden

[1](#)2. The French participant raised the question of including Sweden -- which will assume the EU presidency in July) beginning with the next G7 meeting on the matter. While generally expressing support for the EU proposal to include the Presidency, Rashkow reiterated the preference of the USG to continue with the agreement reached at the previous meeting to defer outreach until after the next meeting, which is to focus on the peacekeeping scales (reftel b). However, Rashkow agreed to consult again with capital. The GOJ participant also indicated a preference for maintaining the current format at least through the next meeting, as did Mir. The Canadian participant also recalled the agreement from the last meeting, although at the same time noting that including the EU Presidency could help lead to a unified EU position aligned with whatever approach the G7 recommends.

Discussion of Proposals

[1](#)3. Prior to the meeting, the Canadian mission circulated a preliminary analysis of four proposals for changing the LPCIA. The first proposal would change the LPCIA threshold from one determined by average per capita income to median per capita income, which would primarily affect the G77 group of developing countries. The second proposal would implement a system of multiple gradients applicable to different tiers of countries depending on their share of the global economy and would primarily affect Brazil, Russia, India, and China (the BRIC countries). The third proposal would limit the LPCIA to 1.5 points, which -- in effect -- would only affect China. The fourth proposal would establish a real value for the LPCIA threshold that would be adjusted annually for inflation and would affect countries with per capita incomes near the threshold.

[1](#)4. Mir pointed out that discussions on LPCIA should focus on what is possible to achieve, which requires consideration of the countries that will be affected by each of the proposals. All of the participants recognized that, although they would

benefit from switching to the median threshold proposal, the proposal would not likely be politically feasible to implement because of the large number of G77 countries that would be negatively impacted. Similarly, the participants identified technical merits in the real threshold proposal, but the concern was expressed that the proposal disproportionately affected countries such as Chile, rather than the BRIC countries which benefit the most under the current LPCIA system.

¶15. Mir noted that, as a growing economic power, China ought to pay a much larger share of the annual UN budget regardless of its per capita GNI. Both he and the French participant voiced their preference for an approach that targets China, for example through an LPCIA point cap. On the other hand, the German, Italian, Japanese, and US participants were concerned that a proposal targeting a single country could backfire and generate more support for protecting China than a broader approach. Furthermore, Rashkow voiced a concern regarding the proposal to establish a ceiling for the LPCIA because it could provide a segue by which countries could question the 22-percent ceiling that currently limits the US contribution to the regular budget.

¶16. Most participants voiced a preference for the multiple gradient proposal which, in principle, does not single out any one country. Instead, it reduces the LPCIA for all four BRIC countries and has the added benefit of providing additional relief for countries with Least-Developed Country (LDC) status. Both the Japanese and Canadian delegates pointed out that the proposal was flexible and that the magnitude of the LPCIA discount at each tier could be further negotiated. However, Mir cautioned that targeting the four

BRIC countries could give them added incentive to put pressure on the entire G77 to provide a united front in opposition to the proposal. Rashkow acknowledged that singling out China or focusing on the BRIC countries both have advantages and disadvantages, and that the G7 would have to make a tactical decision going forward on which approach seemed best suited to achieve G7 objectives. Rashkow also noted that, under the current system, the BRIC countries were already moving upwards in their share of the regular budget and that this development needed to be factored into the G7 approach.

Moving Forward

¶17. In the end, there was a general recognition that the central issue for the G7 is identification of the approach with the greatest potential for moving the discussion on scales in the right direction, even if the end result is maintenance of the status quo. In the meantime, all participants agreed to further study the multiple gradient proposal for the next follow-up meeting, to be held at the Japanese Mission.

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